



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ August 14, 2006

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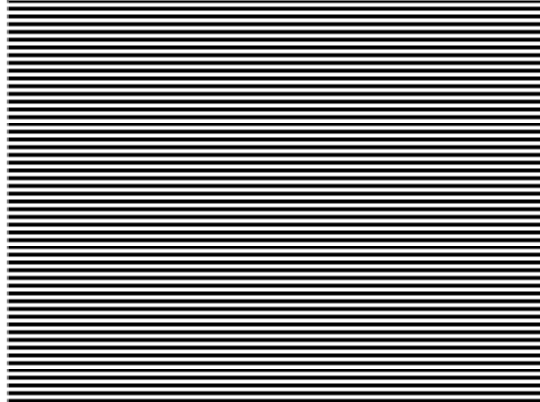
Auditor of State David A. Vaudt today released a report on the Iowa Department of Education for the year ended June 30, 2005.

The Department is empowered to exercise general supervision over the State system of education, including all Iowa local community school districts, merged area schools, area education agencies and other local agencies and non-public schools to the extent necessary to ascertain compliance with Iowa school laws. In fulfilling the responsibilities assigned to it by law, the Department provides and strives to improve programs and support services necessary to meet the identified state and federal educational needs of Iowa, efficiently and effectively.

Vaudt recommended the Department develop and implement procedures for monitoring the Vocational Educational Program and ensure reports are submitted timely for the Nutrition Cluster Programs. In addition, the Department should develop procedures to ensure contracts are properly approved and comply with the policies and procedures for contracts established by the Iowa Department of Administrative Services. The Department responded favorably to the recommendations.

A copy of the report is available for review in the Iowa Department of Education, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.htm>.

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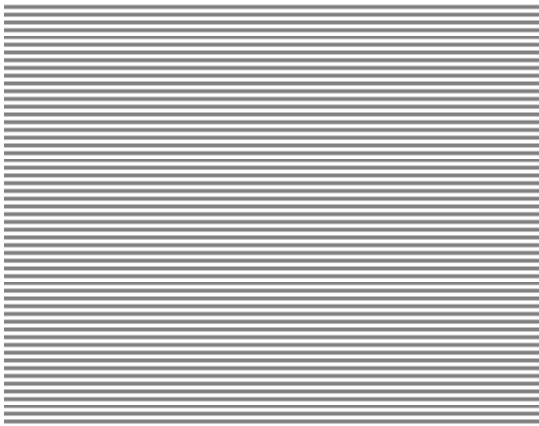
**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF EDUCATION**

**JUNE 30, 2005**

Office of  
**AUDITOR  
OF STATE**  
State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
**Auditor of State**







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August 9, 2006

To the Members of the State  
Board of Education:

The Iowa Department of Education is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2005.

In conducting our audits, we became aware of certain aspects concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations which include those reported in the State's Single Audit Report, as well as other recommendations pertaining to the Department's internal control, compliance with statutory requirements and other matters. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Education, citizens of the State of Iowa and other parties to whom the Iowa Department of Education may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Department during the course of our audits. Should you have questions concerning the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Department are listed on page 15 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor  
Michael L. Tramontina, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

Report of Recommendations to the Iowa Department of Education

June 30, 2005

**Findings Reported in the State's Single Audit Report:**

**CFDA Number: 10.550 – Food Donation**

**Agency Number: None**

**Federal Award Year: 2005**

**State of Iowa Single Audit Report Comment: 05-III-USDA-282-1**

FNS-155 Reporting – USDA policy for commodity reporting requires the Department to complete an Inventory Management Register (FNS-155) which reports all commodity inventories warehoused within each state facility, either commercial or state-operated, which have been on hand greater than six months. Inventory items which had been on hand greater than six months were not reported on the June 30, 2005 FNS-155 report as required.

Recommendation – The Department should perform the six month excess inventory calculation for each item on the ending inventory listing to determine which items should be included on the FNS-155 report.

Response and Corrective Action Planned – The Bureau has requested further guidance from USDA on the FNS-155 report related to inconsistencies in guidance received over the past three years. Based on a dialogue and assistance from USDA regarding this matter on March 1, 2006 and March 2, 2006, a formula and a worksheet have been developed which the consultant working with the Food Donation Program will use with each commodity food item that is reported in the warehouse inventory in June and December of each year. This information will be used to determine which items should be included on the FNS-155 report when it is filed with USDA at those times. Documentation of the findings and the process will be kept on file.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2005

**CFDA Number: 10.550 – Food Donation**

**Agency Number: None**

**Federal Award Year: 2005**

**State of Iowa Single Audit Report Comment: 05-III-USDA-282-2**

Commodities Distribution – The Department has entered into a contractual agreement for the storage and distribution of federal commodities. The contract requires the Warehouse Release and Order Form to be signed by an authorized individual at each Community School District (CSD). A copy of the signed form is to be provided to the Department.

During our review, we noted 9 of 40 Warehouse Release and Order Forms did not contain a signature.

Recommendation – The Department should take steps to ensure the Warehouse Release and Order Forms are properly signed by each CSD.

Response and Corrective Action Planned – Correction of this item will be a priority. The consultant working with the Food Donation Program will discuss with the contracted transportation company (Keck, Inc.) the importance of securing signatures from school staff at the time of each delivery. In addition, the Department will remind the schools of their duty to sign off on the delivery ticket before the truck driver leaves the facility by newsletters and by the summer short course workshops held for schools. Also, the Department will more closely monitor the delivery tickets to reconcile, follow-up and provide further institution specific reminders for any delivery orders that are returned without a signature.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2005

**CFDA Number: 10.553 – School Breakfast Program**

**Agency Number: 2004IN109943, 2005IN109943**

**Federal Award Year: 2004, 2005**

**CFDA Number: 10.555 – National School Lunch Program**

**Agency Number: 2004IN109943, 2005IN109943**

**Federal Award Year: 2004, 2005**

**CFDA Number: 10.556 – Special Milk Program for Children**

**Agency Number: 2004IN109943, 2005IN109943**

**Federal Award Year: 2004, 2005**

**State of Iowa Single Audit Report Comment: 05-III-USDA-282-3**

Timely Submission – Federal requirements state the Department must submit the Food and Nutrition Service (FNS) 10 report within 30 and 90 days following the month of the sponsor's claim. The 30 day reports for July and August 2004 were submitted late.

Recommendation – The Department should ensure the reports are submitted timely.

Response and Corrective Action Planned – The Department understands the importance of timely filing of reports. At the time of the filing of the 30 day reports for July and August 2004, the Department was in the midst of a conversion to a new web based system. Implementation of the new system was a contributing factor to these reports being late. As a preventive measure, additional reminders have been placed in the calendars utilized by staff responsible for the preparation and submission of this report.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2005

**CFDA Number: 10.553 – School Breakfast Program**

**Agency Number: 2004IN109943, 2005IN109943**

**Federal Award Year: 2004, 2005**

**CFDA Number: 10.555 – National School Lunch Program**

**Agency Number: 2004IN109943, 2005IN109943**

**Federal Award Year: 2004, 2005**

**CFDA Number: 10.556 – Special Milk Program for Children**

**Agency Number: 2004IN109943, 2005IN109943**

**Federal Award Year: 2004, 2005**

**CFDA Number: 10.558 – Child and Adult Care Food Program**

**Agency Number: 2004IN109943, 2005IN109943**

**Federal Award Year: 2004, 2005**

**State of Iowa Single Audit Report Comment: 05-III-USDA-282-4**

Timely Submission – Federal requirements state the Department must submit the Summer Food (SF) 269 reports by dates specified in Title 7 of the Code of Federal Regulations (CFR) 277.11(c)(4). The reports due for the first quarter, fourth quarter, and the final annual report were submitted after the due date.

Recommendation – The Department should ensure the reports are submitted timely.

Response and Corrective Action Planned – The Department understands the importance of timely filing of reports. Specific reminders have been placed in the calendars utilized by staff responsible for the preparation and submission of this report.

Conclusion – Response accepted.

**CFDA Number: 10.555 – National School Lunch Program**

**Agency Number: 2004IN109943, 2005IN109943**

**Federal Award Year: 2004, 2005**

**State of Iowa Single Audit Report Comment: 05-III-USDA-282-5**

Evidence of Review – Federal requirements state the Department must submit the Food and Nutrition Service (FNS) 13 report. The report should have evidence of review. The reviewer did not sign the FNS 13 report filed for fiscal year 2005.

Recommendation – The Department should ensure the Departmental review is evidenced on the report.

Response and Corrective Action Planned – The Department understands evidence of the Departmental review of the FNS 13 report should show on the report. The reviewer will sign the FNS 13 report. A reminder notation has been placed in the file folder that will be utilized in the generation of future reports.

Conclusion – Response accepted.



Report of Recommendations to the Iowa Department of Education

June 30, 2005

**CFDA Number: 10.558 – Child and Adult Care Food Program**

**Agency Number: 2005IN202043**

**Federal Award Year: 2005**

**State of Iowa Single Audit Report Comment: 05-III-USDA-282-6**

Administrative Reviews – Title 7 Code of Federal Regulations (CFR) 226.6(m)(4) states the Department is to review sponsoring organizations every three years for sponsors having 1-100 facilities and every two years for those having greater than 100 facilities.

Eleven facilities on a three year cycle were not visited within the required time period. In addition, two of twenty-five facilities in which the review was closed by the Department did not have documentation on file stating the corrective action taken was acceptable.

Recommendation – The Department should ensure sponsoring facilities are being reviewed within the proper three year cycle and ensure written documentation relating to administrative reviews is maintained.

Response and Corrective Action Planned –

CACFP reviews not completed according to CACFP regulations timeline:

The Department is currently tracking CACFP reviews using an Access program. Each new fiscal year, consultants with CACFP responsibilities receive a list of reviews to be completed as required by the CACFP federal regulations. Consultants are responsible for conducting the review, corrective action, if needed and closure of the review.

Six of the eleven reviews in question have been made and are in various states of closure depending on the required corrective action needed. The other five reviews have been scheduled or are in the process of being scheduled by assigned consultants.

We are in the process of designing a more integrated review system with edits to help ensure required reviews, with the required close out documentation, are completed according to regulations. Part of these changes will make monitoring of the process easier.

Closed review documentation:

One of the two reviews which did not have documentation of the close out on file was notified by phone rather than in writing. The consultant has been requested to document the phone call and send/email it to the office.

The second review question had a statement in the review letter indicating there were no required changes. This would mean no additional follow-up was needed and the consultant considered the review closed. The consultant has retired so it will not be possible to request additional documentation.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2005

**CFDA Number: 10.558 – Child and Adult Care Food Program**

**Agency Number: 2005IN202043**

**Federal Award Year: 2005**

**State of Iowa Single Audit Report Comment: 05-III-USDA-282-7**

Eligibility Reporting – Title 7 Code of Federal Regulations (CFR) 226.6(f)(9) states the Department must provide sponsoring organizations a list of elementary schools in the state which have at least half of their students eligible for free or reduced price meals by February 15<sup>th</sup> of each year. For fiscal year 2005, this listing was submitted March 14<sup>th</sup>.

Recommendation – The Department should ensure this listing is submitted timely.

Response and Corrective Action Planned – The Department annually reviews October school lunch data to determine the public elementary schools which have at least half of their students eligible for free or reduced price meals. In past years, this has been done after the 90 day revised claims are processed (about early February). Said data does not all directly correspond to the required school information under 7 CFR 226.6(f)(9) e.g. split elementary grade ranges within individual buildings; further assessment of schools on the preliminary list is required and this takes time. With school consolidations, redistricting, and other changes occurring with the structure of schools this list needs to be assessed annually to determine those meeting CACFP requirements that are thus eligible to be placed on the final list to be distributed.

By modifying current procedures and beginning the review process in January, even though the list will not be finalized until after the 90 day revised claim data is available, the Department anticipates being able to comply with the annual February 15<sup>th</sup> deadline for providing a list of eligible public elementary schools in the future.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2005

**CFDA Number: 10.558 – Child and Adult Care Food Program**

**Agency Number: 2005IN202043**

**Federal Award Year: 2005**

**State of Iowa Single Audit Report Comment: 05-III-USDA-282-8**

Eligibility – Title 7 Code of Federal Regulations (CFR) 226.6, 226.7 and 226.23 states sponsoring organizations must submit, with their application, a copy of their valid center license, a policy statement, and a non-school food service contract if using outside food service providers. In addition, Department of Education consultants review and approve these applications, which involves signing and dating an approval checklist.

For twenty-five application files reviewed, the following conditions were identified:

- (a) Four applications did not contain a copy of the center’s policy statement.
- (b) One application did not contain a copy of the non-school food service contract.
- (c) One application did not have the consultant’s approval.

Recommendation – The Department should ensure all required parts of the application are submitted before approving a sponsor to participate in the Child and Adult Care Food Program. Consultants should sign the approval checklist and the actual application agreement upon approval.

Response and Corrective Action Planned –

- (a) All new first-time applications have submitted the appropriate policy statement. Any missing policy statement reflects inadvertent oversight in filing. All missing policy statements will be located or recollected and filed.
- (b) Failure to collect the missing non-school food service contract is an inadvertent oversight. Said contract has now been acquired from the program sponsor and will be filed with applicable program records.
- (c) All applications have been approved. One application document did not include the approving consultant’s signature to indicate approval. Other completed documents show approval. The missing signature is an inadvertent oversight.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2005

**CFDA Number: 84.048 – Vocational Education-Basic Grants to States**

**Agency Number: V048A040015A**

**Federal Award Year: 2005**

**State of Iowa Single Audit Report Comment: 05-III-USDE-282-4**

Subrecipient Monitoring – OMB Circular A-133 requires a pass-through entity to be responsible for monitoring the activities of its subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of the contract and grant.

The Department has established written policies and procedures for the performance of on-site monitoring of subrecipients. These policies state on-site monitoring visits will be performed once every three years for each subrecipient. Forty-one of the ninety-seven subrecipients were not reviewed within the last three years.

Recommendation – The Department should ensure monitoring visits are performed within a three year cycle as established in the Department's written policies and procedures.

Response and Corrective Action Planned – The Department has written policies and procedures for performing on-site monitoring of subrecipients of the vocational education programs. Staff from the Division of Community Colleges report through an on-line system when they have monitored subrecipients. During the past year, some monitoring was not completed and log entries were not completed in a timely manner. This situation will be corrected through a more equal distribution of Perkins grants' monitoring assignments which will become part of each staff member's performance evaluation plan.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2005

**CFDA Number: 84.048 – Vocational Education-Basic Grants to States**

**Agency Number: V048A040015A**

**Federal Award Year: 2005**

**State of Iowa Single Audit Report Comment: 05-III-USDE-282-5**

Maintenance of Effort – Perkins III, section 323(a) requires the State to provide from non-federal sources an amount not less than the amount provided by the State for the preceding fiscal or program year for State administrative costs. If the federal grant is reduced from the preceding year, State funds may be reduced by the same percentage, but cannot exceed the percentage of the federal award decrease.

The Department did not calculate or monitor the maintenance of effort for the administration portion of the grant. In addition, per the calculation performed by the auditor, the state funding for administrative costs decreased by 3.47% while the federal award for fiscal year 2005 decreased by only 2.67%.

Recommendation – The Department should monitor the State’s maintenance of effort over administrative costs to ensure adequate maintenance of effort is maintained.

Response and Corrective Action Planned – Over the past several years, the Department has integrated the evaluation and monitoring of vocational education programs into the comprehensive school improvement visits that are conducted by department staff. This was done to increase the efficiency of staff visits to school districts throughout the state. In fiscal year ‘05, the Department experienced significant turnover of staff in this area. We have since filled the vacant positions. The expenditure of administrative costs is being closely monitored by the Bureau of Internal Operations to ensure maintenance of effort is maintained.

Conclusion – Response acknowledged. The Department should consult with the U.S. Department of Education to determine corrective action.

Report of Recommendations to the Iowa Department of Education

June 30, 2005

**Findings Related to Internal Control:**

Contractual Agreements – Under the authority of Executive Order #25, the Department established a number of service contracts with outside parties during the year ended June 30, 2005. For 50 contracts tested, the following items were identified:

- (a) The Department did not approve 24 contracts prior to the date of execution.
- (b) For two of the thirty-four contracts requiring a pre-contract questionnaire, no questionnaire was completed. In addition, for one contract the pre-contract questionnaire was completed but was not signed.
- (c) For three contracts where sole source was not indicated, no bidding procedures were followed.
- (d) For two of the contracts requiring an amendment, the amendment was not completed timely.

Recommendation - The Department should ensure contracts are properly approved and comply with the policies and procedures for contracts established by the Iowa Department of Administrative Services. The Department should also develop procedures to ensure contracts are reviewed for reasonableness and, when necessary, amended in a timely manner.

Response – The Department acknowledges the auditor’s comments. The Department has implemented and published procedures addressing the requirements for service contracting. Those procedures have been reviewed with all staff and are published on the Department’s network. The Bureau of Internal Operations provided contract development training to Department staff in November 2005 to assist both new and current staff in understanding the procedures for contracting. The Department will continue to work through the management team to address specific areas of noncompliance and to determine solutions that each work unit can implement to resolve timeliness issues and compliance with required documentation. We are specifically working with units on timeliness of the issuance of contracts.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2005

**Findings Related to Statutory Requirements and Other Matters:**

Code Compliance – Chapter 256.23 of the Code of Iowa requires the Department to establish a recruitment and advancement program to provide for the allocation of grants to schools. The Department has not established this program.

Recommendation – The Department should implement procedures to ensure compliance with the Code of Iowa or seek to have the requirement removed.

Response – Chapter 256.23, Code of Iowa was established by the legislature but no funding for the purposes of this section has been appropriated. Until funds are appropriated to carry out the mandates of this section, the Department is unable to comply with the statute.

Conclusion – Response acknowledged. The Department should take the necessary action to obtain funding or seek to have the requirement removed from the Code of Iowa.

Report of Recommendations to the Iowa Department of Education

June 30, 2005

**Staff:**

Questions or requests for further assistance should be directed to:

Joe T. Marturello, CIA, Manager  
Deborah J. Moser, CPA, Senior Auditor II  
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Other individuals who participated on the audits include:

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